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MARCH 15, 2016 / 7:26 PM / UPDATED 5 YEARS AGO

## Head of Germany's Wirecard rejects fraud allegations by short-seller

By Eric Auchard, Jörn Poltz, Alasdair Pal



FRANKFURT/MUNICH/LONDON (Reuters) - German payment processor Wirecard is the victim of “baseless” allegations by a previously unknown research firm that has dredged up long-discredited claims of financial fraud, its chief executive said in his first media interview on the subject.

Zatarra Research, which popped up on the web only shortly before launching attacks on Wirecard, has made repeated accusations via Twitter and in commentaries that expand on an initial report, released on Feb. 24, that caused Wirecard shares to tumble by 25 percent.

Zatarra said in the report that it aims to profit from a fall in the stock, which some UK and U.S. hedge funds have also been short-selling.

“We have investigated all allegations. Every single point is wrong. These are baseless,” Wirecard Chief Executive Markus Braun told Reuters.

In response to his comments, the research firm said: “Zatarra is confident in its findings.”

From its base near Munich, Wirecard processes payments for 21,000 retailers and online merchants worldwide. It has a market capitalization of around 4.3 billion euros (\$4.8 billion). The company and its Wirecard Bank unit are regulated by German financial authorities, and auditors have endorsed its accounts.

Nonetheless, it is one of the most heavily shorted companies in the pan-European Stoxx 600 index, according to Markit data.

Shorting enables traders to make money by borrowing shares, selling them and buying them back at a lower price. German financial regulator BaFin said it has opened an investigation into Zatarra for possible market manipulation.

Zatarra says it has unearthed new evidence that it says links Wirecard to money laundering of betting proceeds from offshore poker sites back into the United States, where online gambling is illegal. This was one of the central charges in Zatarra's Feb. 24 report, which runs to 101 pages. [nL8N1686J0].

Zatarra asserts that a British subsidiary of Wirecard, known as Wire Card UK Limited, is the missing link the U.S. Secret Service may have been unaware of during a 2010 probe of shell companies linked to the poker money laundering scheme. The Secret Service investigates currency fraud in the United States.

Michael Schuett, a German national living in Florida, later pleaded guilty to transferring \$70 million in poker profits to 23,000 people from 2007 to 2010 via shell companies connected to British-based Bluetool Ltd. Schuett could not be reached for comment at addresses in Florida and in Germany.

Bluetool was at the center of the Secret Service investigation, according to Zatarra, which also said it shared certain shareholders with Wire Card UK.

Filings at Companies House, the UK corporate registrar, show that entities called Fermoya Ltd and B.M.I.E. Ltd were shareholders in both Wire Card UK and Bluetool.

British Virgin Islands-based Fermoya and Wickford, Essex-based B.M.I.E. were shareholders to dozens of companies associated with U.S. online poker players, but based in County Durham in the north of England, according to Zatarra.

Reuters could not confirm the poker connections but the cross share-holdings are a matter of public record in Companies House filings. Simon Peter Dowson, listed as a director at a variety of these companies as well as Wire Card UK, could not be reached for comment.

“FALSE CONCLUSIONS”

In 2010, Wirecard had strenuously denied any connection to fraud and said its banking arm was simply the unwitting sender of payments on behalf of a customer. The stock recovered within two months. The shares have risen by around six-fold since then.

After Zatarra linked Wire Card UK Ltd to its German parent three weeks ago, Wirecard at first denied any connection to the unit in conversations with analysts. Then it reversed course to acknowledge one former officer set up the subsidiary in 2006. Ruediger Trautmann, Wirecard's chief operating officer from 2005 to 2010, declined to comment for this story.

"Despite the company claiming the entire contents of our report are incorrect, they have already admitted they incorporated Wire Card UK," Zatarra told Reuters.

Braun said Wire Card UK was an inactive shell company set up during negotiations for an acquisition Wirecard ended up not pursuing. It was never operational before it was dissolved in 2010, Braun told Reuters, adding that "because we never ultimately needed the company, we were never shareholders".

Incorporation documents filed with Companies House show Wirecard set up the unit in 2006 and dissolved it in 2010. Reuters couldn't independently confirm what target Wirecard was pursuing at the time.

"Everything is based on insinuations and false conclusions that are obscured by the complexity of the allegations" Braun said in response to Zatarra's latest allegation. "Old matters are being exhumed that were wrong to begin with."

Braun said the company was taking legal action to stop the attacks on its reputation, but declined to be more specific.

He added that only 7 percent of his company's revenue comes from gambling and that "we work exclusively with regulated providers that comply with the local law and the requirements of Visa and MasterCard."

Zatarra's website says it is "a boutique firm of investment professionals, analysts and forensic researchers", but does not name any of its members. Reuters was able to speak with two of its representatives via European mobile phone numbers but they did not reveal their identity.

After the Feb. 24 plunge, Wirecard quickly recovered half its losses, only to begin losing ground again. It is now trading 20 percent below where it stood before Zatarra's attacks began.

A source familiar with the BaFin inquiry told Reuters it was focused on Zatarra, and did not involve any special investigation of Wirecard itself. BaFin had previously said it was investigating possible insider trading.

Zatarra said it is in dialogue with the U.S. Secret Service over its report, along with other regulatory and whistle-blowing agencies it declined to name. It said it received no response from BaFin after contacting it with its findings.

"We believe there is sufficient evidence that BaFin should be investigating," Zatarra told Reuters by email.

A spokesman for the U.S. Secret Service said the agency does not comment on investigations.

Additional reporting by Andreas Kroener in Frankfurt; Editing by Mark Trevelyan and David Clarke

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